

Nelson Township

Kent County, Michigan

41-1140

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> city <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Nelson Township		County Kent	
Audit Date March 31, 2004		Opinion Date May 28, 2004		Date Accountant Report Submitted to State: September 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Douglas Wohlberg CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature <i>Douglas Wohlberg</i>			

Nelson Township

Kent County, Michigan

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March 31, 2004

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DOUGLAS WOHLBERG

Certified Public Accountant

To the Board
Nelson Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Nelson Township as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nelson Township management. Our responsibility is to express opinions on these financial statements based on our audit.

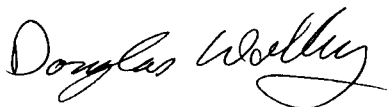
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund and the aggregate remaining fund information of Nelson Township as of March 31, 2004, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nelson Township basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan
May 28, 2004

Nelson Township

MANAGEMENT'S DISCUSSION AND ANALYSIS as of March 31, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 12% from a year ago, decreasing from \$984,639 to \$862,295. This results from minimizing expenditures in the General Fund.

In a condensed format, the table below shows the net assets as of the March 31, 2004:

	Governmental Activities
Current assets	\$ 816,233
Noncurrent assets	59,195
Total assets	875,428
Other liabilities	13,133
Net assets	
Invested in capital assets - net of debt	59,195
Unrestricted	803,100
Total net assets	\$ 862,295

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, decreased by \$122,344 for the governmental activities. This represents a decrease approximately 13%. The current level of unrestricted net assets for our governmental activities stands at \$803,100, or about 120% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

The following table shows the changes of the net assets as of March 31, 2004:

<u>Program revenues</u>		
Charges for services	\$	100,939
<u>General Revenue</u>		
Property tax		167,838
State shared revenue		256,695
Unrestricted investment income		11,194
Franchise fees		145
Fines and forfeits		300
Special assessments		2,156
Miscellaneous		8,305
Total Revenues		547,572
<u>Program expenses</u>		
General government		220,038
Public safety		101,731
Public works		270,039
Community development		26,920
Recreation and culture		51,188
Total expenses		669,916
Change in net assets	\$	(122,344)

Governmental Activities

There was no significant change in governmental activities from the previous year.

The Township's Funds

Our analysis of the Township's major fund begins on page 11, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major fund for 2004 was the General Fund.

Capital Asset and Debt Administration

At the end of 2004, the Township had \$65,020, net of accumulated depreciation, invested in land, building and equipment.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005 remains little changed from 2004 because the Township has no long-term debt and expects to make no significant additions to its capital assets. The Township is contemplating issuing long-term debt to aid in the construction of a new Library Building.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor at the Nelson Township Hall, Two Maple Street, Cedar Springs, Michigan, 49343. The Township's phone number is (616) 636-5332.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Nelson Township

Kent County, Michigan

Statement of Net Assets

For the year ended March 31, 2004

	Governmental activities
<u>GOVERNMENTAL ASSETS</u>	
Cash and cash equivalents	\$ 764,253
Receivables (net)	51,214
Due from other funds	766
Capital assets - net	59,195
TOTAL ASSETS	\$ 875,428
<u>GOVERNMENTAL LIABILITIES</u>	
Accounts payable	\$ 11,594
Accrued and other liabilities	1,539
TOTAL LIABILITIES	13,133
<u>GOVERNMENTAL NET ASSETS</u>	
Invested in capital assets	59,195
Unrestricted	803,100
TOTAL NET ASSETS	862,295
TOTAL LIABILITIES AND NET ASSETS	\$ 875,428

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Statement of Activities

For the year ended March 31, 2004

Functions/Programs	Expenses	Charges for services	Governmental activities
PRIMARY GOVERNMENT EXPENSES			
General government	\$ 220,038	\$ 35,620	\$ (184,418)
Public safety	101,731	65,319	(36,412)
Public works	270,039	-	(270,039)
Community and economic development	26,920	-	(26,920)
Recreation and culture	51,188	-	(51,188)
Total Governmental activities	669,916	100,939	(568,977)
General Revenues			
Property taxes			167,838
State-shared revenue			256,695
Unrestricted investment income			11,194
Franchise fees			145
Fines and forfeitures			300
Special assessments			2,156
Miscellaneous			8,305
Total general revenues - special items and transfers			446,633
Change in net assets			(122,344)
Net assets at beginning of year			984,639
Net assets at end of year		\$	862,295

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township
Kent County, Michigan
Governmental Funds
Balance Sheet

March 31, 2004

	General Fund	Nonmajor Funds	Total
<u>ASSETS</u>			
Cash	\$ 588,232	\$ 176,021	\$ 764,253
Taxes receivable	16,838	-	16,838
Due from other units of government	34,376	-	34,376
Due from other funds	766	13,744	14,510
TOTAL ASSETS	\$ 640,212	\$ 189,765	\$ 829,977
<u>LIABILITIES AND FUND EQUITY</u>			
Accounts payable	\$ 11,594	\$ -	\$ 11,594
Due to other funds	13,744	-	13,744
Payroll deductions payable	87	-	87
Deposits payable	1,452	-	1,452
TOTAL LIABILITIES	26,877	-	26,877
<u>FUND BALANCES</u>			
Designated for			
Roads	129,188	-	129,188
Library	150,000	-	150,000
White Pine Trails	5,000	-	5,000
Undesignated	329,147	189,765	518,912
TOTAL FUND BALANCES	613,335	189,765	803,100
TOTAL LIABILITIES AND FUND BALANCES	\$ 640,212	\$ 189,765	\$ 829,977

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2004

Total fund balances - total governmental funds		\$	803,100
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Capital assets at cost			124,215
Accumulated depreciation			(65,020)
Net capital assets			59,195
Net assets of governmental activities		\$	862,295

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2004

	General Fund	Nonmajor Funds	Total
REVENUE			
Taxes	\$ 153,636	\$ 37,489	\$ 191,125
Licenses and permits	68,824	-	68,824
State grants	256,695	-	256,695
Charges for services	8,885	-	8,885
Fines and forfeits	300	-	300
Interest and rents	9,288	1,905	11,193
Other revenue	6,994	1,400	8,394
Special assessments	-	2,156	2,156
TOTAL REVENUE	504,622	42,950	547,572
EXPENDITURES			
General government	187,100	-	187,100
Public safety	101,731	-	101,731
Public works	269,264	775	270,039
Community and economic development	26,920	-	26,920
Recreation and culture	3,000	48,188	51,188
Other	31,481	-	31,481
TOTAL EXPENDITURES	619,496	48,963	668,459
NET CHANGE IN FUND BALANCES	(114,874)	(6,013)	(120,887)
FUND BALANCES, BEGINNING OF YEAR	728,209	195,778	923,987
FUND BALANCES, END OF YEAR	\$ 613,335	\$ 189,765	\$ 803,100

The Notes to the Financial Statements are an integral part of this statement.

Nelson Township

Kent County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2004

Net change in fund balances - total governmental funds	\$	(120,887)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.

5,269

Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Depreciation

(6,726)

Change in net assets of government activities	\$	(122,344)
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The Notes to the Financial Statements are an integral part of this statement.

Nelson Township
Kent County, Michigan
Fiduciary Fund
Statement of Net Assets
For the year ended March 31, 2004

	Agency Fund Type	
Cash	\$	766
Due to other funds	\$	766

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Nelson Township

Kent County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nelson Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Nelson Township:

A. Reporting Entity

Nelson Township is governed by an elected seven-member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nelson Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Nelson Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Nelson Township as of the preceding December 31st.

Although Nelson Township's 2003 ad valorem tax is levied and collectible on December 1, 2003, it is Nelson Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of Nelson Township totaled \$91,749,278, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	0.8991	\$ 82,492
Fire Safety	0.4815	44,177
Library	0.4086	37,489

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the government reports the following fund types:

Special Revenue Funds

The Library Fund accounts for penal fines and other revenue of the Library.

The Pine Lake Weed Fund Fund accounts for special assessments used to remove weeds from the lake.

The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2004

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before March 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Nelson Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual Expenditure
General Fund		
Public safety	\$ 97,874	\$ 101,731
Community and economic development	26,100	26,920

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Nelson Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Nelson Township Board has designated two banks and the Kent County Treasurer for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Nelson Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 764,253	\$ 766	\$ 765,019

The bank balance of the Township's deposits is \$765,847, of which \$200,000 is covered by federal depository insurance and \$565,847 is uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Taxes receivable	\$ 16,838
Intergovernmental	34,376
Net Receivables	\$ 51,214

Nelson Township
Kent County, Michigan
Notes to Basic Financial Statements
For the year ended March 31, 2004

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance April 1, 2003	Additions	Disposals	Balance March 31, 2004
Assets not being depreciated	\$ 32,700	\$	\$	\$ 32,700
Capital assets being depreciated:				
Buildings	41,000			41,000
Equipment	45,246	5,269		50,515
Subtotal	86,246	5,269		91,515
Accumulated depreciation:				
Buildings	27,725	1,025		28,750
Equipment	30,569	5,701		36,270
Subtotal	58,294	6,726		65,020
Net capital assets being depreciated	27,952	(1,457)		26,495
Net capital assets	\$ 60,652	\$ (1,457)	\$	\$ 59,195

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 6,726
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NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	Tax Account	\$ 766
Library Fund	General Fund	13,294
Pine Lake Weed Control Fund	General Fund	450
Total		\$ 14,510

Nelson Township

Kent County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2004

NOTE 7 - RISK MANAGEMENT

Nelson Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Nelson Township has purchased commercial insurance for all claims and participates in the Michigan Municipal Risk Management Authority for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans at this time.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

Nelson Township provides pension benefits to certain employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Nelson Township contributes 20 percent of all Township Board members toward the purchase of individual annuities to provide retirement benefits, plus a contribution for Board members eligible for a past services retirement benefit. Contributions to the plan for the current year totaled \$11,826 based on a covered payroll of \$59,130. Total Township payroll was \$150,805. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

MAJOR GOVERNMENTAL FUND STATEMENTS

Nelson Township
Kent County, Michigan
General fund
Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Cash	\$ 588,232	\$ 678,281
Taxes receivable	16,838	19,220
Due from other units of government	34,376	42,723
Due from other funds	766	1,790
TOTAL ASSETS	\$ 640,212	\$ 742,014
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 11,594	\$ -
Due to other funds	13,744	13,805
Payroll deductions payable	87	-
Customers deposits payable	1,452	-
TOTAL LIABILITIES	26,877	13,805
FUND BALANCES		
Designated		
Fire Department	-	17,000
Roads	129,188	250,000
Library	150,000	100,000
White Pines Trails	5,000	5,000
Undesignated fund balance	329,147	373,209
TOTAL FUND EQUITY	613,335	745,209
TOTAL LIABILITIES AND FUND BALANCES	\$ 640,212	\$ 759,014

Nelson Township
Kent County, Michigan
General fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004 with comparative actual amounts for 2003

	Original budget	Final budget	Actual	Variance with final budget	2003
REVENUE					
Current real property taxes	\$ 155,400	\$ 155,400	\$ 152,985	\$ (2,415)	\$ 148,180
Penalties and interest on taxes	-	-	651	651	-
Business licenses and permits	50,400	50,400	65,319	14,919	57,377
Non-business licenses and permits	1,975	1,975	3,505	1,530	3,703
State revenue sharing	290,000	290,000	255,385	(34,615)	281,564
Other state grants	-	-	1,310	1,310	-
Services rendered	5,275	5,275	6,965	1,690	5,145
Sales	200	200	1,920	1,720	1,470
Fines and forfeitures	200	200	300	100	200
Interest and dividends	14,000	14,000	9,288	(4,712)	14,584
Reimbursements	300	300	3,949	3,649	513
Other	850	850	3,045	2,195	913
TOTAL REVENUE	518,600	518,600	504,622	(13,978)	513,649
EXPENDITURES					
General government					
Township board	13,750	13,750	10,905	2,845	13,092
Supervisor	17,825	17,825	17,819	6	16,922
Clerk	18,685	18,685	18,722	(37)	17,935
Audit	4,500	4,500	4,100	400	3,900
Board of review	600	600	698	(98)	912
Treasurer	42,000	42,000	38,227	3,773	35,306
Assessor	26,900	26,900	26,850	50	26,100
Elections	3,200	3,200	762	2,438	4,273
Building and grounds	32,850	33,700	40,803	(7,103)	24,941
Attorney	20,000	20,000	21,679	(1,679)	13,996
Cemetery	7,625	7,625	6,535	1,090	8,437
Total General government	187,935	188,785	187,100	1,685	165,814
Public safety					
Fire department	47,779	52,004	52,004	-	49,120
Building inspection	45,450	45,870	49,727	(3,857)	43,980
Total Public safety	93,229	97,874	101,731	(3,857)	93,100

Nelson Township

Kent County, Michigan

General fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual For the year ended March 31, 2004 with comparative actual amounts for 2003

	Original budget	Final budget	Actual	Variance with final budget	2003
Public works					
Public works	\$ 138,000	\$ 275,458	\$ 259,381	\$ 16,077	\$ 82,006
Street lighting	1,500	1,500	1,489	11	1,488
Sanitation	6,000	6,000	8,394	(2,394)	5,952
Total Public works	145,500	282,958	269,264	13,694	89,446
Community and economic development					
Planning	13,900	13,900	12,708	1,192	15,780
Zoning	12,200	12,200	14,212	(2,012)	11,030
Total Community and economic development	26,100	26,100	26,920	(820)	26,810
Recreation and culture					
Parks and recreation	3,000	3,000	3,000	-	3,000
Total Recreation and culture	3,000	3,000	3,000	-	3,000
Other governmental functions					
Insurance	5,000	5,000	6,484	(1,484)	6,023
Retirement	14,000	14,000	11,826	2,174	12,559
Social security	13,000	13,000	12,065	935	10,815
Other	200	200	1,106	(906)	946
Total Other governmental functions	32,200	32,200	31,481	719	30,343
TOTAL EXPENDITURES	487,964	630,917	619,496	11,421	408,513
NET CHANGE IN FUND BALANCES	30,636	(112,317)	(114,874)	(2,557)	105,136
Fund balance at beginning of year	728,209	728,209	728,209	-	623,073
Fund balance at end of year	\$ 758,845	\$ 615,892	\$ 613,335	\$ (2,557)	\$ 728,209

NONMAJOR GOVERNMENTAL FUND STATEMENTS

Nelson Township
Kent County, Michigan
Nonmajor Funds
Combined Balance Sheet
March 31, 2004

	Special Revenue Funds			
	Library Fund	Pine Lake Weed Control Fund		Total
<u>ASSETS</u>				
Cash	\$ 163,132	\$ 12,889	\$	176,021
Due from other funds	13,294	450		13,744
TOTAL ASSETS	\$ 176,426	\$ 13,339	\$	189,765
<u>LIABILITIES AND FUND BALANCES</u>				
FUND BALANCES				
Unreserved	\$ 176,426	\$ 13,339	\$	189,765
TOTAL FUND BALANCES	176,426	13,339		189,765
TOTAL LIABILITIES AND FUND BALANCES	\$ 176,426	\$ 13,339	\$	189,765

Nelson Township

Kent County, Michigan

Nonmajor Funds

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

March 31, 2004

	Special Revenue Funds		Total
	Library Fund	Pine Lake Weed Control Fund	
REVENUE			
Property taxes	\$ 37,489	\$ -	\$ 37,489
Special assessments	-	2,156	2,156
Interest on investments	1,813	92	1,905
Other	1,400	-	1,400
TOTAL REVENUE	40,702	2,248	42,950
EXPENDITURES			
Library	48,188	-	48,188
Public works	-	775	775
TOTAL EXPENDITURES	48,188	775	48,963
NET CHANGE IN FUND BALANCES	(7,486)	1,473	(6,013)
FUND BALANCES, BEGINNING OF YEAR	183,912	11,866	195,778
FUND BALANCES, END OF YEAR	\$ 176,426	\$ 13,339	\$ 189,765

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Nelson Township
Kent County, Michigan

We have audited the general purpose financial statements of Nelson Township, Kent County, Michigan for the year ended March 31, 2004, and have issued our report thereon dated May 28, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Nelson Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

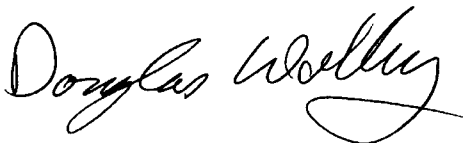
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Nelson Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2004. We noted no transactions entered into by Nelson Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Nelson Township and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
May 28, 2004

MANAGEMENT COMMENTS LETTER

To the Board
Nelson Township
Kent County, Michigan

In planning and performing our audit of the financial statements of Nelson Township for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

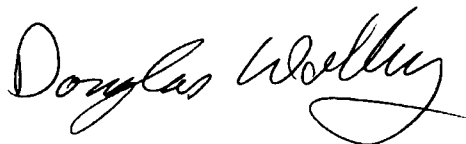
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Nelson Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2004 financial statements, and this report does not affect our report on those financial statements dated May 28, 2004. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
May 28, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board
Nelson Township
Kent County, Michigan

We have audited the general purpose financial statements of Nelson Township, Kent County, Michigan as of and for the year ended March 31, 2004, and have issued our report thereon dated May 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

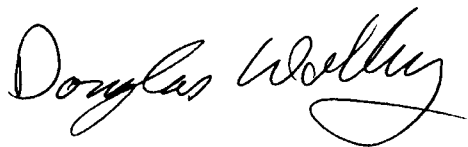
Compliance

As part of obtaining reasonable assurance about whether Nelson Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nelson Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
May 28, 2004